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July 29, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

Re: Ex parte CC Docket No. 96-98 - Implementation of the Local Competition
Provisions of the Telecommunications Act of 1996.

Dear Mr. Caton:

The attached material is being submitted to Larry Atlas, Richard Metzger, Dan Gonzalez, John Nakahata, James Casserly, Lauren Belvin and Regina Keeney.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

A handwritten signature in black ink, appearing to be "R. Salomone", followed by a long horizontal line.

cc: Dan Gonzalez
Larry Atlas
Richard Metzger
John Nakahata
James Casserly
Lauren Belvin
Regina Keeney

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July 29, 1996

Ms. Regina Keeney
Federal Communications Commission
1919 M Street N.W.
Washington, D.C. 20554

Re: CC Docket No. 96-98

Dear Ms. Keeney:

It is AT&T's position that when a CLEC purchases the unbundled elements at cost plus a reasonable return that it should not pay the ILEC any additional charges including access charges which include misallocations of retail end user expenses. It would be especially inappropriate to pay a double payment that would occur if a CLEC was required to pay for misallocated retail costs included in the terminating interconnection charge (TIC).

Attached is AT&T's analysis of the minimum amount the TIC should be reduced.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gerard Salemm".

Attached is AT&T's analysis using ARMIS 43-04 data of the direct and indirect retail costs reflected in the interconnection charge (previously known as the residual interconnection charge). Of this amount, the terminating interconnection charge (TIC) would be reduced by 46% to account for direct RBOC retail cost in access and 60% to reflect direct and indirect retail costs in access.

In addition, the direct retail costs in access for the switching transport element alone are \$222 million and \$313 million if indirect costs are included. On this basis, AT&T contends that where we are providing service to the local customer the TIC should be reduced by a minimum of 15% to account for these retail costs. The interstate TIC in this analysis has been modified to reflect the industry value instead of the Tier 1 value.

Retail Expenses in the Interconnection Charge (RIC)
1994, \$000

43-04 Row #	Jan - Dec 1994	Total Interstate	Total Access	Interconnection Charge (RIC)
7320	Total Customer Ops		\$ 1,405,861	\$ 192,942
7290	CABS		\$ 192,546	\$ 26,425
	Direct RBOC Retail Cost in Access/RIC		\$ 1,213,315	\$ 166,517
7332	Big 3 Exp	\$ 5,609,825	(No breakdown to subcategories in 43-04)	
	% Impact of Retail adjustment		21.1%	
7334	Corp Ops	\$ 1,886,202	\$ 1,751,450	\$ 320,449
	Impact of Big 3 Adjustment		\$ 369,569	\$ 67,617
	Total RBOC Retail Cost in Access/RIC		\$ 1,582,884	\$ 234,134

Industry Interstate RIC (NECA 1994) \$ 2,147,000
 Assume RBOC/Industry RIC ratio 75%

Direct Industry Retail Cost in RIC \$ 222,022
 % of Industry RIC 10%

This amount represents the direct retail costs reflected in the RIC.

Total Industry Retail Cost in RIC \$ 312,179
 % of Industry RIC 15%

In addition to the direct retail costs in access, there are other costs (Corporate Ops) that are allocated into access as a consequence of the direct retail costs via the "Big 3" allocator. The above amount reflects both the direct retail and the allocated corp ops in access which is driven by those retail costs.

Retail Expenses in IXC Access Charges						
		1994, \$000				
43-04	Jan - Dec 1994					
Row #		Total Interstate	Total Access	Switching	Special	CL+ SW Transport
7320	Total Customer Ops		\$ 1,405,861	\$ 110,494	\$ 229,869	\$ 1,065,498
7290	CABS		\$ 192,546			\$ 145,930
	Direct RBOC Retail Cost in Access		\$ 1,213,315			\$ 919,568
7332	Big 3 Exp	\$ 5,609,825	(No breakdown to subcategories in 43-04)			
	% Impact of Retail adjustment		21.1%			
7334	Corp Ops	\$ 1,886,202	\$ 1,751,450	\$ 179,249	\$ 267,505	\$ 1,304,696
	Impact of Big 3 Adjustment		\$ 369,569			\$ 275,301
	Total RBOC Retail Cost in Access		\$ 1,582,884			\$ 1,194,869
	RIC Tier 1	\$ 2,000,000				
	Direct RBOC Retail Cost in Access	\$ 919,568				
	% of Tier 1 RIC	46%				
	This amount represents the direct retail costs reflected in the common line and transport elements of access.					
	Total RBOC Retail Cost in Access	\$ 1,194,869				
	% of Tier 1 RIC	60%				
	In addition to the direct retail costs in access, there are other costs (Corporate Ops) that are allocated into access as a consequence of the direct retail costs via the "Big 3" allocator. The above amount reflects both the direct retail and the allocated corp ops in access which is driven by those retail costs.					